

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 519 - HB 1479

February 22, 2023

SUMMARY OF BILL: Authorizes the State Treasurer to purchase and sell physical gold and precious metal bullion or specie that will be directly owned by the state and in custody of the State Treasurer. Authorizes the State Treasurer to make and enter in contracts, trust instruments, agreements, and other instruments with financial institutions, accountants, auditors, attorneys, consultants, other contractors. Requires physical gold and precious metal bullion or specie purchased by the State Treasurer to be custodied in a state depository as defined in Tenn. Code Ann. § 9-4-107. Requires the State Treasurer to ensure that gold or precious metal bullion or specie is securely maintained, transported, adequately insured, independently audited, and physically segregated from other assets custodied at the state depository. Requires the expenses for administration and implementation of the purchase, sale, transportation, maintenance, valuation, security, insurance, and custody of the gold or precious metal bullion or specie to be paid for from state funds appropriated in the General Appropriations Act.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – The precise impact on state earnings revenue is unknown and is expected to vary considerably based on the status of financial market performance at any future time and the timing for which any liquidation and reinvestment of funds would be made.

Any expenses incurred for the storage and maintenance of physical gold and precious metal bullion or specie will be the result of future actions by the State Treasurer.

Assumptions:

- The proposed legislation does not allocate any state funds to cover the expenses from the sale, transportation, maintenance, valuation, security, insurance, or custody of gold or precious metal bullion or specie.
- Currently, the Texas Gold Bullion Depository has a 25-basis point charge on account balances between \$25,000,000 and \$50,000,000, with negotiable fees for higher account balances. Balances lower than \$25,000,000 have incrementally higher charges.
- For the purposes of this analysis, it is assumed that the annual expenses for all storage and maintenance services associated with maintaining physical gold and precious metal bullion or specie at a state depository will correspond to up to 25-basis point charge on account balances.

- Therefore, the estimated recurring increase in state expenditures will be up to \$125,000 (\$50,000,000 x 0.25%) per \$50,000,000 invested in FY23-24 and subsequent years.
- Liquidating any funds from other accounts and investments may lead to a change in state revenue on investment earnings.
- The precise impact on state earnings revenue is unknown and is expected to vary considerably based on the status of financial market performance at any future time and the timing for which any liquidation and reinvestment of funds would be made.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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